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C O N F I D E N T I A L SECTION 01 OF 02 ACCRA 000248

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MCA FOR ROD NORMAN

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SUBJECT: AMBASSADOR MEETS WITH MINISTER-DESIGNATE FOR
FINANCE

Classified By: Ambassador Mary C. Yates for Reason 1.5 (B/D)

1. (SBU) Summary: On January 26, 2005 Minister designate for Finance and Economic Planning, Kwadwo Baah-Wiredu and Acting Minister of State for Economic Planning, Dr. Nii Ashong paid an informal visit on the Ambassador to express appreciation for the U.S. Government's (USG) support to Ghana. The USAID Director participated as well. The Ambassador and Baah-Wiredu discussed the treatment of American investors, deregulation of the petroleum sector, inflation, the use of remittances, and the Millennium Challenge Account (MCA). Baah-Wiredu welcomed the Ambassador's offer to arrange a joint briefing with the Ghana MCA working group and U.S. Embassy staff on the MCA. The Ambassador also explained the current state of the U.S. Treasury Department's programs in Ghana. End Summary.

2. (SBU) Baah-Wiredu requested the appointment prior to confirmation as Minister of Finance and Economic Planning (MoFEP), indicating he intends to be active. The former Minister of Education, Youth and Sports appeared relaxed and confident in his new role. He expressed sincere appreciation for the USG's support of Ghana's development, adding that he had personally benefited from the USG's generosity. He extolled his Peace Corps teachers.

3. (U) In the context of discussing ways for Ghana to grow its economy and utilize its young people, the Ambassador expressed the need to improve the investment climate in Ghana. The Ambassador said that, though significant progress has been made, there was still much to do. The Ambassador cited specific bureaucratic difficulties American investors were having, including a company which currently employs many educated Ghanaian youth. She said that more investment would be attracted if the treatment of current investors improved.

4. (C) Baah-Wiredu said that he met with President Kufuor January 25 to discuss fuel subsidies. He stated that the government was committed to moving forward with deregulation of the petroleum sector. Although it would pose a hardship on the population, the government was working to mitigate the effects and provide a safety net for the poor. Baah-Wiredu stated that he did not anticipate much dissension when the prices rise because there has been so much talk about the increases and the population expected it to come some time ago. NOTE: Sources within the GoG claim prices could be raised as much as 45 percent by the end of February 2005, which should cause a temporary increase in the inflation rate. The price increase may cover the cost of production, but the cost at the pump will still be regulated. END NOTE.

5. (C) COMMENT: Ghanaian interlocutors, especially with the opposition, have expressed concern that this time fuel increases could be "explosive" with the population. Opposition flag-bearer and twice-defeated presidential candidate, Prof. Atta Mills told PolChief February 2 that he expected social unrest and that he "would not stand in their way". END COMMENT.

6. (SBU) The Minister-designate raised the issue of tapping the potential diaspora remittances that were reputed to be USD 2 billion last year to stimulate economic growth. The Ambassador suggested Ghanaians in the diaspora might be encouraged to invest not only their money but also their skills in the country. She indicated that one ministry could be held responsible for creating a one-stop shop to eliminate the red tape that currently frustrates highly skilled Ghanaians who had tried to return to the country to participate in its development. The USAID Director mentioned that USAID planned to support a study on remittances from the Ghanaian diaspora and the financial institutions that transfer them.

7. (SBU) The Ambassador asked if President Kufuor had indicated whether the responsibility for the preparation of the MCA proposal would continue to rest with the MoFEP. Baah-Wiredu said that the President is committed to ensuring that the process moves forward swiftly and will not make

changes in this respect. The USAID Director asked whether London-based consultant, Michael Ansah, engaged by the GoG to lead the MCA proposal's development, would remain on the team. Baah-Wiredu confirmed that he would. The Ambassador offered to conduct a joint briefing with the Ghana MCA working group and Embassy staff to inform the Minister-designate and any new staff about the MCA. Baah-Wiredu agreed a briefing, which is currently scheduled for February 11.

18. (SBU) The Ambassador also mentioned that USAID and the U.S. Treasury Department planned to replace the departing Debt Advisor by May 2005. However, there were insufficient funds to extend the U.S. Treasury technical assistance and training in tax administration. She advised that the German Government and Swiss Government had planned tax programs that could fill the gap.
YATES